

House File 2446 - Introduced

HOUSE FILE 2446

BY ISENHART

A BILL FOR

1 An Act relating to the research activities credit for the
2 individual and corporate income tax by making the credit
3 subject to award by the department of revenue, limiting the
4 amount that may be awarded, and including applicability
5 provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.10, Code Supplement 2011, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 4A. a. To receive the research
4 activities credit under this section, a taxpayer must
5 submit an application in the form and manner prescribed
6 by the department. If the taxpayer meets the criteria for
7 eligibility, the department shall issue to the taxpayer a
8 tax certificate for the research activities credit. The
9 certificate shall contain the taxpayer's name, address, tax
10 identification number, the amount of the credit, the tax year
11 for which the certificate applies, and an expiration date for
12 the certificate. The tax certificates are nontransferable.
13 The taxpayer must file the tax certificate with the taxpayer's
14 income tax return in order to claim the tax credit. The
15 department shall not issue for any one fiscal year an aggregate
16 amount of tax credits in excess of the following amounts:

17 (1) For the fiscal year beginning on July 1, 2013, two
18 million four hundred sixteen thousand one hundred seventy-seven
19 dollars.

20 (2) For the fiscal year beginning on July 1, 2014, two
21 million three hundred forty-three thousand six hundred
22 ninety-two dollars.

23 (3) For the fiscal year beginning on July 1, 2015, two
24 million two hundred seventy-one thousand two hundred seven
25 dollars.

26 (4) For the fiscal year beginning on July 1, 2016, two
27 million one hundred ninety-eight thousand seven hundred
28 twenty-two dollars.

29 (5) For the fiscal year beginning on July 1, 2017,
30 two million one hundred twenty-six thousand two hundred
31 thirty-seven dollars.

32 (6) For the fiscal year beginning on July 1, 2018, and for
33 each fiscal year thereafter, two million fifty-three thousand
34 seven hundred fifty-two dollars.

35 b. If the total tax credits claimed under this section

1 in any fiscal year exceeds the applicable amount in this
2 subsection, the department shall reduce in a prorated fashion
3 all credit claims which exceed the median claim until the
4 total tax credit claims equal the applicable amount in this
5 subsection or until no taxpayer has a claim that exceeds the
6 median claim, whichever occurs first. After that reduction, if
7 the total tax credit claims still exceed the applicable amount
8 in this subsection, the department shall reduce in a prorated
9 fashion all credit claims until the total tax credit claims
10 equal the applicable amount in this subsection. For purposes
11 of this paragraph "b", the prorated reduction amount on a claim
12 shall be in the same proportion that the amount of the claim
13 bears to the total amount of claims being reduced.

14 c. The department shall adopt rules pursuant to chapter 17A
15 to administer this subsection.

16 Sec. 2. Section 422.10, subsection 6, Code Supplement 2011,
17 is amended to read as follows:

18 6. The department shall by February 15 of each year issue
19 an annual report to the general assembly containing the total
20 amount of all claims made by employers and allowed by the
21 department under this section and the portion of the claims
22 issued as refunds, for all claims processed during the previous
23 calendar year. The report shall contain the name of each
24 claimant for whom a tax credit in excess of five hundred
25 thousand dollars was issued and the amount of the credit
26 received.

27 Sec. 3. Section 422.33, subsection 5, Code Supplement 2011,
28 is amended by adding the following new paragraph:

29 NEW PARAGRAPH. *0e.* (1) To receive the research
30 activities credit under this subsection, a taxpayer must
31 submit an application in the form and manner prescribed
32 by the department. If the taxpayer meets the criteria for
33 eligibility, the department shall issue to the taxpayer a
34 tax certificate for the research activities credit. The
35 certificate shall contain the taxpayer's name, address, tax

1 identification number, the amount of the credit, the tax year
2 for which the certificate applies, and an expiration date for
3 the certificate. The tax certificates are nontransferable.
4 The taxpayer must file the tax certificate with the taxpayer's
5 income tax return in order to claim the tax credit. The
6 department shall not issue for any one fiscal year an aggregate
7 amount of tax credits in excess of the following amounts:

8 (a) For the fiscal year beginning on July 1, 2013, thirty
9 million one hundred twenty-five thousand one hundred sixty-six
10 dollars.

11 (b) For the fiscal year beginning on July 1, 2014,
12 twenty-nine million two hundred twenty-one thousand four
13 hundred eleven dollars.

14 (c) For the fiscal year beginning on July 1, 2015,
15 twenty-eight million three hundred seventeen thousand six
16 hundred fifty-six dollars.

17 (d) For the fiscal year beginning on July 1, 2016,
18 twenty-seven million four hundred thirteen thousand nine
19 hundred one dollars.

20 (e) For the fiscal year beginning on July 1, 2017,
21 twenty-six million five hundred ten thousand one hundred
22 forty-six dollars.

23 (f) For the fiscal year beginning on July 1, 2018, and for
24 each fiscal year thereafter, twenty-five million six hundred
25 six thousand three hundred ninety-one dollars.

26 (2) If the total tax credits claimed under this paragraph in
27 any fiscal year exceed the applicable amount in this paragraph,
28 the department shall reduce in a prorated fashion all credit
29 claims which exceed the median claim until the total tax
30 credit claims equal the applicable amount in this paragraph or
31 until no taxpayer has a claim that exceeds the median claim,
32 whichever occurs first. After that reduction, if the total
33 tax credit claims still exceed the applicable amount in this
34 paragraph, the department shall reduce in a prorated fashion
35 all credit claims until the total tax credit claims equal the

1 applicable amount in this paragraph. For purposes of this
2 subparagraph (2), the prorated reduction amount on a claim
3 shall be in the same proportion that the amount of the claim
4 bears to the total amount of claims being reduced.

5 (3) The department shall adopt rules pursuant to chapter 17A
6 to administer this paragraph.

7 Sec. 4. Section 422.33, subsection 5, paragraph h, Code
8 Supplement 2011, is amended to read as follows:

9 h. The department shall by February 15 of each year issue
10 an annual report to the general assembly containing the
11 total amount of all claims made by employers and allowed by
12 the department under this subsection and the portion of the
13 claims issued as refunds, for all claims processed during the
14 previous calendar year. The report shall contain the name of
15 each claimant for whom a tax credit in excess of five hundred
16 thousand dollars was issued and the amount of the credit
17 received.

18 Sec. 5. APPLICABILITY. This Act applies to tax years
19 beginning on or after January 1, 2013.

20 EXPLANATION

21 This bill relates to the research activities credit for the
22 individual and corporate income tax. Under current law, the
23 credit is an automatic credit and not capped at any certain
24 amount. The bill amends the credit to make it subject to award
25 by the department of revenue and limited to a certain aggregate
26 total each fiscal year. To receive a research activities
27 credit, a taxpayer must now submit an application to the
28 department of revenue, receive a tax certificate, and file the
29 certificate with the taxpayer's income tax return.

30 The department is not allowed to issue for any one fiscal
31 year an aggregate amount of tax credits that exceed a certain
32 amount. For the fiscal year beginning on July 1, 2013, the
33 credits are capped at the total credit claims made in the 2009
34 tax year, then reduced a total of 15 percent over the next five
35 fiscal years.

1 For the individual tax credit the amount of the cap is:

- 2 1. \$2,416,177 for fiscal year 2013-2014.
- 3 2. \$2,343,692 for fiscal year 2014-2015.
- 4 3. \$2,271,207 for fiscal year 2015-2016.
- 5 4. \$2,198,722 for fiscal year 2016-2017.
- 6 5. \$2,126,237 for fiscal year 2017-2018.
- 7 6. \$2,053,752 for fiscal year 2018-2019, and for each fiscal
- 8 year thereafter.

9 For the corporate tax credit the amount of the cap is:

- 10 1. \$30,125,166 for fiscal year 2013-2014.
- 11 2. \$29,221,411 for fiscal year 2014-2015.
- 12 3. \$28,317,656 for fiscal year 2015-2016.
- 13 4. \$27,413,901 for fiscal year 2016-2017.
- 14 5. \$26,510,146 for fiscal year 2017-2018.
- 15 6. \$25,606,391 for fiscal year 2018-2019, and for each
- 16 fiscal year thereafter.

17 If the total tax credit claims for a fiscal year exceed
18 the applicable cap, the department shall reduce in a prorated
19 fashion all credit claims which exceed the median claim until
20 the total credit claims equal the applicable cap, or until no
21 taxpayer has a claim that exceeds the median claim, whichever
22 occurs first. After that reduction, if the total tax credit
23 claims still exceed the applicable cap, the department shall
24 reduce in a prorated fashion all credit claims until the total
25 credit claims equal the applicable cap.

26 The bill applies to tax years beginning on or after January
27 1, 2013.